



October 13, 2005

Thomas P. Meissner Jr.

Sr. Vice President
Chief Operating Officer

Paula L. Brown
Verizon
185 Franklin Street, Room 180
Boston, MA 02110

Dear Polly,

Thank you for following up, as promised, to our meeting in August. It is my understanding that we also received a preliminary response to our outstanding tree trimming invoices for 2005. I appreciate that you have pulled together this data and researched some of the facts as a result of our meeting. I agree that some of the discussion has been anecdotal, though certainly not all. Unfortunately, I don't see that the data offers any more clarity, or moves either company further along. While the results of your research have been portrayed as refuting our issues, I think the facts have been taken out of context or miss the mark. I offer my comments on the key areas outlined in your letter.

Tree Trimming

There is clearly a difference of opinion over the interpretation of our Intercompany Operating Procedures (IOP's), and the allocation of the costs and benefits of tree trimming. We have consistently stated our position that the intent of the IOP is for the electric and telephone utilities to share in the cost of maintenance trimming for jointly owned lines. There is a mutual need for such trimming to maintain clearances and both parties benefit. Under the IOP, the appropriate allocation of costs for maintenance trimming on joint facilities is 75% electric and 25% telephone. This allocation already reflects the greater needs of the electric company and appropriately allocates the costs and benefits of maintenance trimming programs.

At some point in time, Verizon New Hampshire stopped sharing in the costs of maintenance tree trimming. We have not specifically researched when this occurred, nor have you. Efforts were made by our company several years ago to understand why Verizon refused to participate in trimming and to clarify our mutual understanding of the IOP, but to no avail. Meetings were held with Peter Geerdes, George Belcher and others at Verizon in an attempt to coordinate trimming and reinstate Verizon's participation. We were consistently told by company representatives that Verizon "does not have a need", or there is no "mutual benefit". Yet, we have correspondence from a Verizon field engineer declining to participate in maintenance trimming due to "budget constraints" even while acknowledging that "we would benefit greatly at many locations".

Corporate Office

6 Liberty Lane West
Hampton, NH 03842-1720

Phone: 603-772-0775
Fax: 603-773-6667

Email: meissner@unitil.com

As recently as 2001 and 2002, we were receiving full participation from Verizon in our Massachusetts territory, which is covered by the same Agreement and IOP as New Hampshire. This is evidence that Verizon interpreted the IOP as we did, and understood its obligation to be a 25% share of trimming on jointly owned facilities. After initiating meetings in New Hampshire to discuss this issue, and pointing out our experience in Massachusetts, participation in Massachusetts quickly declined virtually to zero. None of the data provided in your letter provides any specific insight as to why Verizon does not pay for its share of trimming, nor is there any reference to the efforts made by our company to pursue this issue in years past.

Other key points:

- Regardless of what was paid, and when, we maintain that Verizon has an obligation to participate in maintenance trimming to maintain line clearances.
- Unitil has not dramatically changed maintenance trimming practices. We continue to trim on defined maintenance intervals, and we trim to the standard in the IOP.
- While we did receive increased funding in a prior rate case, this simply allowed us to get back on our defined cycles.
- It is inconceivable that \$7K (or less) each year represents 25% of the tree trimming expense. We have upwards of 1,000 miles of line in New Hampshire that must be trimmed on the specified cycles. We have always spent hundreds of thousands of dollars annually on tree trimming.
- We do not know what was included in Verizon's totals for "the whole state" from 1995 to 2004. It is our understanding that PSNH has not received financial participation from Verizon for its territory either. We do not know if this money represents maintenance trimming, storm trimming, or other types of trimming. This should not be assumed to represent 25% of mutually agreed maintenance trimming.
- We do not have any knowledge of the specific Asplundh bills that you refer to. They could have been storm trimming, construction trimming or something else. Furthermore, Asplundh was not our exclusive tree trimming contractor until recently. In prior years we used a variety of contractors.
- With respect to 2005 trimming, we provided maps and information for our current year trimming as far back as December of 2004. It has taken until now (October), to get an initial response on some of this trimming.

It is my understanding that we have received a letter from Troy McDonald of your company outlining concerns to some of our 2005 tree trimming invoices. It is also my understanding that there may be some disputed amounts and administrative issues that need to be resolved. I will wait until an internal review is done here at Unitil before commenting further on 2005.

Placement of Poles for New Construction

With respect to the placement of new poles, it appears there has been a misunderstanding as to the crux of the issue. We never asserted that either company is setting more poles than the other. The issue is not one of equity, or setting one's "fair share" of poles. In fact, we have on more than one occasion offered to set more poles as a potential solution to operational concerns. The issue is instead one of service and response; the length of time it takes to get a pole set. A more interesting analysis would be a review of the average number of days it took each company to set the poles listed in your letter, from the date of the request until the day the pole was set.

We have consistently identified concerns with the length of time it takes to get poles set in Verizon's maintenance area. Whether emergency pole sets, customer service requests, highway relocations, or other required construction and upgrades. Extensive operational discussions focused on emergency pole sets, and the length of time it takes to respond to broken poles when electric customers may be without service. Discussions also focused on modifications to Verizon's "499 Process" and the lead times quoted by field engineers. Modifications were also discussed with respect to construction scheduling to "loosen up the process" to get poles set quicker. We respectfully reiterate our concern with respect to the length of time it takes to have poles set in the Verizon maintenance area.

Pole Inspections

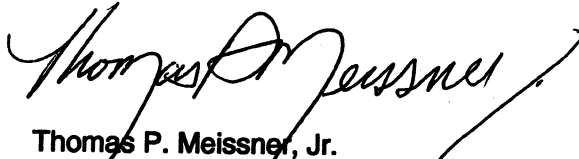
With respect to pole inspections, it may well have been Verizon's practice for many years to have installers and repair people inspect a pole before climbing. This practice, however, does not comply with the written language of the IOP. The IOP reads clearly as to each company's obligation:

1. Initially all joint poles shall be inspected at or before the age of 20 years. Poles shall be re-inspected at intervals not to exceed 10 years.
2. Each Company shall be responsible for the inspection and treatment of all jointly owned poles within their respective maintenance areas.
3. The cost of inspection and treatment shall be borne individually by each Company for their respective maintenance area.

Unitil has inspection and maintenance programs that fulfill these provisions of the IOP; Verizon does not. This provision of the IOP has not changed. We were under the mistaken belief that Verizon was fulfilling its obligations for pole inspections and maintenance all along; it was only recently that we learned otherwise. This topic was discussed in Operations meetings between our two companies on November 8, 2004 and December 13, 2004. Representatives from your company acknowledged in those meetings that Verizon has not been following the IOP. Solutions were being reviewed to get back into a cyclical inspection program. We consider preventative maintenance to be an important reliability and public safety issue, and Verizon's failure to follow the IOP unnecessarily jeopardizes both.

With respect to your offer to open or revisit all or part of the IOP, we respectfully decline. Our issues are not with the written language or intent of the Agreement and subsidiary IOP's. We are instead concerned with each party's commitment to *following* what has already been negotiated and memorialized in these agreements. We are currently evaluating our options in pursuit of a constructive outcome. We will also research any issues raised in Troy McDonald's October 4th letter regarding 2005 Maintenance Tree Trimming. I expect to have responses back to you within the next few weeks.

Very Truly Yours,

A handwritten signature in black ink, appearing to read "Thomas P. Meissner, Jr.", with a long, sweeping horizontal stroke extending to the right.

Thomas P. Meissner, Jr.
Sr. Vice President, Chief Operating Officer

Cc Cheryl Mongell – Verizon
Robert Schoenberger
Mark Collin